2. SAP's Market Strategy

Method of Entry

To write a complete suite of accounting modules takes a long time and SAP, like Microsoft before them, has decided to speed things up by buying their way into the market. Both started this process around 2001 but have adopted different strategies. Microsoft went out and bought several major players in the mid-range market. In the US it acquired Solomon Software and Great Plains - the latter the biggest player in the US with its Dyamics package. In Europe it bought the Danish company Navision, and with it Axapta.

This method certainly gained instant market share. However, by buying four packages all serving a similar market, Microsoft rather dug a hole for themselves. In order to persuade users that all four products have a future, Microsoft is having to spend a great deal of development time making them all compatible with each other.

The other approach is that of Sage. This is to buy in products from other companies and re-badge them as your own. So Sage now markets a product range moving smoothly upwards from Sage Line 50, through Line 100, Line 200, Line 500 and up to Line 1000. Of these the only package that Sage wrote itself is Line 50.

SAP have adopted the Sage approach. The core software of Business One was originally written by an Israeli company. SAP purchased it in 2001 and since that time it has been extensively developed by SAP themselves.

The advantages of this approach are that SAP develop only one product which carries no baggage in the form of an existing user base. There are no compatibility issues to worry about and they can concentrate their efforts on improving the software. The disadvantage is that developing a near green-field product in this way takes several years and has delayed SAP's entry into the market until now.

Pricing and Target Market

The first surprise of Business One is that it is very reasonably priced. A distribution and account-ing system with 10 full-time users costs around £26,000. This is a tier below the pricing of packages such as Navision or Systems Union, and competes more with Iris Enterprise and Pegasus Opera.

As regards functionality, there are sets of financial and distribution modules. The latter include sales and purchase order processing and stock control, as one would expect. But service management and (lightweight) manufacturing are there as well.

Mindful perhaps of the notorious reputation of bigSAP with its 20,000 data tables, SAP stress that Business One is not meant to be an all-singing, all-dancing ERP suite that can be configured to do any-thing. Rather, it aims to provide a set of high quality core modules which can be easily customised. SAP is encouraging ISV's (Independent Software Ven-dors) to link their own packages to Business One for specialist and vertical market applications. For example, a Job Costing module is available from one ISV, and manufacturing specialists Fourth Shift are adapting their systems to run on Business One.

As to customers, the general target market for Busi-ness One is any small and medium size business with between 5 and 500 users.

There is also the specific target market of existing SAP customers. These have big SAP at HQ and their larger plants, but they also have numerous smaller subsidiary companies and factories. Big SAP is not suitable for these smaller operations: they need a mid-range package like Business One.
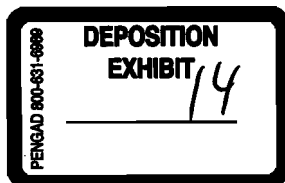
accountingweb.co.uk
SAP-B1 overview article
by David Carter

No date, but post June 2004 (mentioned in article)